

FISCAL NOTE

HB 1008 - SB 1452

April 2, 2007

SUMMARY OF BILL: Enacts the “Tennessee STAR Scholarship Act of 2007” to require the Department of Education to establish, administer and monitor one or more Tennessee STAR scholarship pilot projects to enable students in Title I public middle schools to attend college in Tennessee after graduation from high school through financial assistance from state lottery proceeds. The project shall consist of (1) the Tennessee STAR scholarship program funded with lottery proceeds to be administered by TSAC; and (2) enrichment programs funded by the state or other sources. The department shall establish no more than six pilot projects.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$600,000/Pilot Programs

Other Fiscal Impact – Increases the expenditure of lottery proceeds by \$638,000 in FY07-08 and \$620,300 in FY08-09 for staff requirements for the Department of Education and TSAC.

Increases the expenditure of lottery proceeds in FY12-13 (when eligible students begin receiving scholarships while attending a post-secondary institution) by \$50,699,000 and by \$55,735,300 in FY13-14.

Assumptions:

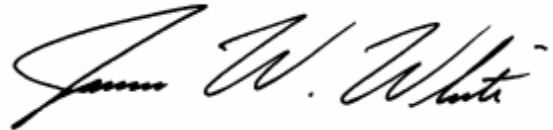
- The Department of Education estimates six pilot/enrichment programs at \$100,000 per program (60 students per program). Funding for such programs shall not be from lottery proceeds.
- The STAR scholarship program would award credits for participation in enrichment program activities.
- The Department of Education shall promulgate rules to establish the STAR pilot project and is responsible for collection of all data concerning the points earned by middle school and high school students for participation in such programs.
- The Department of Education shall report annually on the Tennessee STAR scholarship pilot projects to the Education Committees of the Senate and House. The cost of such reporting is estimated to be not significant.

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- Costs incurred in Year 1 by the Department of Education in administering the scholarship program are estimated to be \$239,000 for one project director, an administrative secretary and two administrative positions plus related costs to collect data, serve as liaisons between the department, TSAC and THEC and local school systems and maintain all student records. Costs incurred by the department in Year 2 are estimated to be \$239,000.
- Costs incurred in Year 1 by TSAC in creating, administering, and promoting the program are estimated to be \$398,920 for one program coordinator and five outreach specialists and related costs. Costs incurred by TSAC in the Year 2 are estimated to be \$381,320.
- Costs to administer the program are to be funded with lottery proceeds.
- According to TSAC there will be no costs associated with disbursing funds to postsecondary institutions on behalf of eligible students until FY12-13.
- The fiscal impact in Year 1 (FY12-13) when eligible students begin receiving funds while attending postsecondary institutions is estimated to be \$50,698,920. The cost in Year 2 (FY13-14) is estimated to be \$55,735,270. These estimates are in today's dollars. This dollar amount will increase due to the annual increases in tuition.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director